Uruguay

Economic Summary

Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties, but in 1999-2002 underwent its steepest banking and financial crisis in recent history, mostly caused by external factors. As a result, per capita GDP plummeted from $6,300 in 1998 to about $3,700 in 2002.

During the crisis, the U.S. provided a $1.5 billion bridge loan which cleared the way for Uruguay to sign an agreement with the IMF. Uruguay repaid the U.S. loan in full within a few days. At the same time, the U.S. facilitated resumption of Uruguayan beef exports, a move that contributed to a fast recovery of the Uruguayan economy. The economy recovered slightly in 2003 and has grown robustly since 2004. The per capita GDP had climbed back above $7,000 by 2007.

The left-of-center Frente Amplio, which took office in March 2005, continued implementing an orthodox macroeconomic policy, and promptly signed agreements with the IMF, the World Bank and the IDB. In late 2006, Uruguay made an early payment of its total IMF debt. Recent growth has driven real GDP close to its pre-crisis levels. Growth of about 5% is expected for 2008.

Uruguay has largely diversified its trade in recent years and reduced its longstanding dependency on Argentina and Brazil. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil and Paraguay, which is in process of integrating Venezuela. The MERCOSUR Secretariat is located in Montevideo.

Imports from the United States plunged during the crisis but, following the economic upturn, resumed a sound pace of growth. Uruguay imported $621 million from the U.S. in 2007, mostly in fuels and high-tech and capital goods. Booming beef sales turned the U.S. into Uruguay's largest single market in 2004/2005. In 2007, Uruguay exported $492 million to the U.S. –its second largest market– mostly beef, fuels and agricultural products.

While the crisis impacted on poverty levels and caused substantial migration, social indicators remain outstanding by Latin American standards. The U.N. Economic Commission for Latin America and the Caribbean ranks Uruguay as the only Latin American country with a “low” degree of inequality. In November 2007, The Economist ranked Uruguay as 27th in the world as having a "full democracy." Uruguay was the only South American country to receive this designation

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is fully free remittance of capital and profits. About ninety American firms operate in Uruguay and, according to the U.S. Dept. of Commerce, the stock of U.S. direct investment amounts to $656 million.

Uruguay and the U.S. signed an Open Skies Agreement in 2004, a Bilateral Investment Treaty in 2005, and a Trade and Investment Framework Agreement in early 2007.

e* = estimate

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GENERAL INDICATORS

Area: 68,036 sq. miles — About the same as Oklahoma
Population: 3.3 million
Annual Population Growth Rate: 0.3%
Montevideo (Capital): 43% of total population
Life Expectancy at Birth: 75.7 years (2006)
Literacy Rate: 97.7%
Households with access to safe water: 98.0%
Poverty level (% of population): 27.4% (2006)
Absence of ethnic problems

REAL SECTOR

Gross Domestic Product (billions): $23.6 (2007, e*), $19.3 (‘06), $16.8 (‘05)
GDP Real Growth Rate: 7.2% (2007, e*), 7.0% (‘06), 6.6% (‘05), 11.8% (‘04)
GDP Per Capita: $7,100 (2007, e*), $5,828 (‘06), $5,100 (‘05), $3,900 (‘04)
Industrial Production: 23% of GDP. Grew 8.4% in 2006.
Principal sectors: food, beverages & tobacco, chemicals, textiles.
Agriculture & Livestock: 9% of GDP. Grew 8.3% in 2006
Large areas devoted to livestock grazing, forestry, sunflower and rice.
Commerce, Restaurants & Hotels: 13% of GDP. Grew 8.5% in 2006.
Other Services: Approximately 60% of GDP.

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -0.4% (2007), -0.6% (2006), -0.7% (2005).
Gross Public Debt: $15.9 bill. (Sept. 07) – 67% of GDP, down from 101% in ‘04.
Sovereign Debt Risk Rating: B1/Stable (Moody’s), B+/Stable (S&P)
Country Risk: 220 basis points (December 2007)
Main Taxes: VAT –22%; Corporate Tax –25% (higher if firms distributes earnings); Personal Income Tax –ranges from 10% through 25%.

LABOR

Labor Force: 1.5 million (1.35 million job holders, 135K unemployed)
Unemployment (Ann. Avg.): 9.2% (2007), 10.9% (2006), 12.1% (2005)
Official Monthly Minimum Wage Rate: $150 (January 2008)
Average Monthly Household Income: $850 (October 2007)
Unionization: Estimated at about 18.0% of job holders, but growing significantly due to major changes in labor regulations

EXTERNAL ACCOUNTS

EXPORTS (Goods, FOB): $4.5 billion (2007; grew 13% over 2006)
Partners (2007): Brazil, U.S., Argentina, Mexico, Germany
Commodities: Meat, Rice, Leather, Wool, Fish, Dairy Products
Exports to U.S.: $492 million (11% of 2007 total; down 5% over 2006)
Commodities to U.S.: Beef, Gasoline, Leather, Wood, Fish, Cheese
IMPORTS (Goods, CIF): $5.5 billion (2007; grew 14% over 2006)
Partners (2007): Brazil, Argentina, U.S., China, Venezuela.
Commodities: Oil & Fuels, Machinery & Equipment, Fertilizers, Wheat
Imports from U.S.: $621 mill. (11% of 2007 total; 88% growth over 2006)
Commodities from the U.S.: Fuels, Electrical Motors, Computers & Parts, Fertilizers, Radio, TV & Telephony Equipment, Medical Equipment.
Import Tariffs vary between 0 and 35%. Mean tariff is 13%.
No import quotas apply.
Current Account Balance (% of GDP): -1.8 (2007, e*), -2.4 (2006), 0.0 (2005)

MONEY & PRICES

Inflation Rate (CPI, Dec-Dec): 8.5% (2007), 6.4% (2006), 4.9% (2005)
Exchange Rate (Pesos per dollar, Ann. Avg): 23.5 (‘07), 24.06 (‘06), 24.47 (‘05)
High Powered Money: $1.35 bill (Oct. 07); **M1:** $1.5 billion (July 07)

180 day interest rates:	In UY pesos	In US$
Paid on Deposits	3.1	1.4
Charged on Loans	31.0	10.4